

BOARD OF HARBOR COMMISSIONERS

CITY OF LOS ANGELES

PORT OF LOS ANGELES

FOREIGN-TRADE ZONE NO. 202

TARIFF NO. 1

RULES, REGULATIONS, RATES AND CHARGES

GOVERNING FOREIGN-TRADE ZONE NO. 202

ISSUED: August 3, 1995

Order No. 6360 Adopted June 14, 1995
Ordinance No. 170615 Adopted July 11, 1995

EFFECTIVE:
August 20, 1995

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Changes in and additions to this Tariff will be made by reprinting the page upon which the change or addition is made, and such page will be designated as a revised page and will carry a "Correction" number in the lower left hand corner.

Upon the receipt of a revised page or new page place a check opposite the "Correction" number (shown below) corresponding to the number shown in the lower left hand corner of the new or revised page. If "Correction" numbers are properly checked upon receipt of new or revised pages, they will appear checked off in consecutive order with no omissions. If the check marks indicate that a "Correction" has not been received, a request should be made at once for a copy of the missing page.

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See Item 10 for explanation of abbreviations and symbols.

Correction No. 4

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GRANTEE
FOREIGN-TRADE ZONE NO. 202
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SECTION ONE	DESCRIPTION OF ZONE SITES AND APPLICATION OF RATES, RULES AND REGULATIONS	1st Revised PAGE 100
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DESCRIPTION OF FOREIGN-TRADE ZONE NO. 202

Foreign-Trade Zone No. 202 is sponsored by Board of Harbor Commissioners, City of Los Angeles, Port of Los Angeles as Grantee, pursuant to a grant issued by the Foreign-Trade Zones Board, Washington, D.C. on July 14, 1994. The Zone is located on eleven (11) sites designated in the records of the Foreign-Trade Zones Board and described below.

Site #1. Site #1 consists of approximately 2,783 acres at the Port of Los Angeles and includes facilities for dry and wet bulk storage, container terminals, marine terminals, multipurpose terminals and warehousing facilities. Zoning is principally [Q]M2 and [Q]M3 for medium to heavy industrial, maritime-related use.

Site #2. Site #2 is located at Los Angeles International Airport (LAX) in Los Angeles, California. It consists of approximately 44,045 square feet of warehouse space at the City of Los Angeles Department of Airports Air Freight No. 5 building. The building is zoned M2 for light to medium industrial use.

Site #3. Site #3 is located at the International Trade and Transportation Center (ITTC) in the City of Shafter in Kern County, California. The site is currently under development and is comprised of approximately 642 acres. Information concerning the site can be obtained by writing to Two Fanucchi Way East, Shafter, California 93263.

Site #4. Site #4 is located at the Dominguez Technology Center in Rancho Dominguez, California. It consists of approximately 357 acres of industrial properties consisting of buildings and sites for future development. Information concerning the site can be obtained by writing to 18710 South Wilmington Avenue, Suite 200, Rancho Dominguez, CA 90220.

Site #5. Site #5 is located at the Alameda Trade Center in Los Angeles, California. It consists of approximately 20 acres of industrial land and buildings. Information concerning the site can be obtained by writing to 1318 E. 7th Street, Suite 200, Los Angeles, CA 90021.

Site #6. Site #6 is located at Western Sunset International in Rancho Dominguez, California. It consists of approximately 200,266 square feet of warehouse space.

Site #7. Site #7 is located at Pacific Gateway Center in Los Angeles, California. It consists of approximately 101 acres of industrial land and buildings, including a site for future development. Information concerning the site can be obtained by writing to 970 W. 190th Street, Suite 550, Torrance, CA 90502.

Site #8. Site #8 is located at Kintetsu Intermodal (USA), Inc. in the City of Carson, California. It consists of approximately 125,000 square feet of warehouse space in 2 buildings.

Site #9. Site #9 is located at Harbor Gateway Center in Los Angeles, California. It consists of approximately 128 acres of industrial property with M-3 zoning for clean-air heavy industrial. Information concerning the site can be obtained by writing to 19901 South Normandie, Building 3, Los Angeles, CA 90502.

Site #10. Site #10 is located at Watson Industrial Center South in the City of Carson, California. It consists of approximately 319 acres of industrial land and buildings. Information concerning the site can be obtained by writing to 22010 South Wilmington Avenue, Suite 400, Carson, CA 90745.

Site #11. Site #11 is located at Watson Corporate Center in the City of Carson, California. It consists of approximately 107 acres of industrial land and buildings, including sites for future development. Information concerning the site can be obtained by writing to 22010 South Wilmington Avenue, Suite 400, Carson, CA 90745.

APPLICATION OF RATES, RULES AND REGULATIONS

The rates, rules and regulations published in this tariff will apply to all operators of Zone Sites or Subzones under the jurisdiction of Foreign-Trade Zone No. 202. Except as otherwise provided in this Tariff, all general rates, rules and regulations will apply as published in Board of Harbor Commissioners, Port of Los Angeles, Tariff No. 4.

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SECTION TWO

DEFINITION OF TERMS

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Activation. Approval by the Grantee and District Director for operations and for the admission and handling of merchandise in Zone status.

Admission. Physical arrival of goods in the Foreign-Trade Zone with the approval of the Zone Grantee and Customs. The word "admission" is to be used instead of "entry" of goods in a Zone to avoid confusion with Customs entry processes under Parts 141-144 of the Customs Regulations.

Admit. To bring merchandise into a Zone with Zone status.

Alteration. A change in the boundaries of an activated Zone or Subzone; activation of a separate Site of an already-activated Zone or Subzone with the same Operator at the same port; or the relocation of an already-activated Site with the same Operator.

Applicant. A corporation, partnership or person applying for the right to operate a Foreign-Trade Zone Site or Subzone under the jurisdiction of FTZ No. 202.

Customs Territory. The territory of the U.S. in which the general Tariff laws of the U.S. apply. "Customs territory of the United States" includes only the States, the District of Columbia, and Puerto Rico, minus any areas within the boundaries of Foreign-Trade Zones.

Deactivation. Voluntary discontinuation of the activation of an entire Zone Site or Subzone by the Grantee or the Operator. Discontinuance of the activated status of only a part of a Zone Site or Subzone is an alteration.

Default. An act or omission that will result in a claim for duties, taxes, charges, or liquidation damages under the FTZ Operator's Bond.

District Director. The District Director of Customs.

District Engineer. The district engineer of the Army Corps of Engineers.

Domestic (D) Zone Status. Merchandise produced in the U.S., not exported therefrom, and on which all internal revenue taxes, if applicable, have been paid; and, imported merchandise properly released from Customs' custody on which all applicable duties and taxes have been paid.

Exhibition. The showing of merchandise within a Zone, usually to prospective buyers. This may require Customs supervision whenever it involves packing, unpacking, repacking, assembly, or reconditioning of the goods for showing.

First In-First Out (FIFO). An accounting method based on an assumption regarding the flow of goods that older stock is disposed of first, in accordance with good merchandising policy. This method requires that the merchandise be fungible without regard to the source, e.g., foreign or domestic. Use of the method in Foreign-Trade Zones requires a perpetual inventory system which identifies the merchandise by a unique identifier number (UIN) system. Permission to use FOFI (Foreign First) must first be obtained from Customs and its acceptability will be determined on a case-by-case basis.

See Item 10 for explanation of abbreviations and symbols.

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Foreign-Trade Zone. An isolated, enclosed, and policed area, operated as a public utility, in or adjacent to a port of entry, furnished with facilities for lading, unlading, handling, storing, manipulating, manufacturing, and exhibiting goods, and for reshipping them by land, water, or air. Any foreign and domestic merchandise, except such as is prohibited by law or such as the Board may order to be excluded as detrimental to the public interest, health, or safety may be brought into a Zone without being subject to the Customs laws of the United States governing the entry of goods or the payment of duty thereon; and such merchandise permitted in a Zone may be stored, exhibited, manufactured, mixed or manipulated in any manner, except as provided in the act and other applicable laws or regulations, the merchandise may be exported, destroyed, or sent into Customs territory from the Zone, in the original package or otherwise. It is subject to Customs duties if sent to Customs territory, but not if reshipped to foreign points.

Foreign-Trade Zone Forms. The two Foreign-Trade Zone forms are official U.S. Customs forms, required for admitting merchandise into the Zone and processing merchandise while in the Zone.

CF 214 - Application for FTZ Admission and/or Status Designation. Application and permit to admit merchandise into the Foreign-Trade Zone and report of merchandise received at Zone Site.

CF 216 - Application for FTZ Activity Permit. Application and permit for the manipulation, manufacture, exhibition or destruction of Foreign-Trade Zone merchandise.

Foreign-Trade Zones Act. The Foreign-Trade Zones Act of June 18, 1934 (48 Stat. 998-1003; 19 U.S.C. 81a-81u), as amended.

Foreign-Trade Zones Board. The Board which is established to carry out the provisions of the Foreign-Trade Zones Act. The board consists of the Secretary of Commerce who is chairman and executive officer of the Board, the Secretary of the Treasury, and the Secretary of the Army.

Grantee. A corporation to which the privilege of establishing, operating, and maintaining a Foreign-Trade Zone has been granted by the Foreign-Trade Zones Board. The Grantee of FTZ No. 202 is Board of Harbor Commissioners, City of Los Angeles, Port of Los Angeles.

Holidays. The term "holidays" includes the following named days: (1) New Year's Day, (2) Martin Luther King's Birthday, (3) Lincoln's Birthday, February 12, (4) Washington's Birthday, the third Monday in February, (5) Memorial Day, the last Monday in May, (6) Independence Day, July 4, (7) Labor Day, the first Monday in September, (8) Columbus Day, the second Monday in October, (9) Veteran's Day, November 11, (10) Thanksgiving Day, the fourth Thursday in November, (11) Christmas Day, December 25, (12) every day proclaimed by the President of the United States or Governor of the State of California to be a legal holiday.

Holidays falling on Sunday will be observed the following Monday.

Importer of Record. The person, firm, or corporation in whose name the application to admit merchandise into the Zone (CF 214) is made and recognized by the Zone Grantee as having the legal right to make the application. Evidence of this right is the same as would be required to apply for release of the merchandise from Customs custody at the end of its transit through Custom territory, and usually consists of an original bill of lading in the name of the Applicant, an original bill of lading endorsed to him, or a carrier's certificate.

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Manufacture. Generally, the production of articles for use from raw or prepared materials by substantially transforming such materials into new articles of commerce, or with new qualities, properties or combinations of articles. The U.S. Customs Service determines what constitutes manufacture on a case-by-case basis, and distinguishes manufacture from other operations such as manipulation, processing, production and blending. The Foreign-Trade Zones Board has defined manufacture as any process which results in a change in Customs classification of the merchandise, and, therefore, requiring prior clearance from the Board before the manufacturing can occur within the Zone.

Merchandise. Merchandise includes goods, wares, and chattels of every description, except Prohibited Merchandise, building materials, production equipment and supplies for use in operation of a Zone.

Merchandise, Conditionally Admissible. Merchandise which may be imported into the U.S. under certain conditions. Merchandise which is subject to permits or licenses, or which must be reconditioned to bring it into compliance with the laws administered by various Federal agencies.

Merchandise, Domestic. Merchandise which has been produced in the United States and not exported therefrom, or previously imported into the Customs territory of the United States and properly released from Customs custody with payment of all applicable duties and taxes.

Merchandise, Foreign. Imported merchandise which has not been properly released from Customs custody into the Customs territory of the United States.

Merchandise, Fungible. Merchandise which for commercial purposes is identical and interchangeable in all situations. Originally applied to liquids or free-flowing substances which arrived in bulk, unpacked condition, the concept is now applied in Zones, for inventory control purposes, to shipments of goods which arrive packed, but are unpacked and placed together in storage or manufacturing locations, so that identification with the shipment as admitted to the Zone is lost. Concept is subject to wide use in manufacturing environments where it is infeasible to store goods in their original lots awaiting manufacture.

Merchandise, Mixed Status. Foreign Merchandise which has been combined with Domestic Merchandise in the Zone is sometimes referred to as Mixed Status Merchandise.

Merchandise, Prohibited. Merchandise, the importation of which is prohibited by law on grounds of public policy or morals, or any merchandise which is excluded from a Zone by order of the Foreign-Trade Zones Board. Books urging treason or insurrection against the U.S., obscene pictures, and lottery tickets are examples of Prohibited Merchandise. Also, certain operations involving the following merchandise are prohibited: Tobacco, cigars, cigarettes, and cigarette papers and tubes (26 U.S.C. 5701-5706); Firearms (26 U.S.C. 4181-4181/5811); Distilled spirits, alcohol, wine and beer (26 U.S.C. 5001-5008, 5010); Sugar (26 U.S.C. 4501-4503); Watch movements (19 U.S.C. 1367-1368); Bicycles parts (19 U.S.C. 81c); and retail sales in a Zone (19 U.S.C. 81o & CR 146.14).

See Item 10 for explanation of abbreviations and symbols.

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Merchandise, Restricted. Merchandise which may not be authorized for delivery from Customs custody without a special permit, or a waiver thereof, by an agency of the U.S. Government. Also, the Foreign-Trade Zones Board and U.S. Customs Service have restricted certain operations involving the following products: steel, textiles, television tubes, sugar, orange juice.

Nonprivileged Foreign (NPF) Zone Status. Foreign merchandise or non-tax-paid domestic merchandise upon which the duty and applicable taxes will be determined at the time the merchandise enters the Customs territory of the United States from the Zone for consumption.

Operator. A corporation, partnership, or person that operates a Zone Site or Subzone under the terms of an agreement with the Grantee.

Operator's Bond. All Zone Operators must submit to Customs a bond to assure compliance with Customs regulations. The bond is submitted on Customs Form (CF) 301. The bond provisions are set forth at 19 CFR 113.73. A failure to comply with the regulations may be deemed a "default" by Customs and result in the assessment of liquidated damages under the bond.

Privileged Foreign (PF) Zone Status. Foreign merchandise or non-tax-paid domestic merchandise upon which the duty and applicable taxes have been determined at the time this status is approved. The determined duty rate and taxes are not subject to future fluctuation. Once established, Privileged Foreign status cannot be changed.

Reactivation. A resumption of the activated status of an entire area that was previously deactivated without any change in the Operator of the area boundaries. If the boundaries are different, the action is an alteration. If the Operator is different, it is an activation.

Retail Trade. Generally, sales or offers to sell goods or services to individuals for personal use.

Subzone. A special purpose Zone established as part of a Zone project for a limited purpose, that cannot be accommodated within an existing Zone. The term "Zone" also applies to a Subzone, unless specified otherwise.

Transfer. To take merchandise with Zone status from a Zone for consumption, transportation, exportation, warehousing, cartage or lighterage, vessel supplies and equipment, admission to another Zone, and like purposes.

Unique Identifier Number (UIN). This inventory method controls merchandise in a Zone by cumulative identification, i.e., by unique numbers and/or letters that identify merchandise admitted to a Zone. Inventory levels are adjusted on a First In-First Out (FIFO) or Foreign First (FOFI) basis pursuant to generally accepted accounting principles.

U.S. Customs Forms:

301: Customs Bond. All Customs bonds utilize this form. The Foreign-Trade Zone Operator's Bond provisions are set forth at 19 CFR 113.73.

See Item 10 for explanation of abbreviations and symbols.

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- 3461: Immediate Delivery Application. Used for entry of Foreign or Mixed Status merchandise into U.S. Customs territory. Duties and taxes are payable on filing of the CF 7501 within ten (10) working days of release of merchandise. An estimated CF 3461 may be used if the Operator operates under Estimated Production Procedures for Consumption (CR 146.63c).
- 5119-A: Informal Entry. Entry for goods valued under \$1250. Informal entry does not require a bond. Informal entry is generally not permitted for textiles and textile products (Customs Directive 3500-07).
- 7501: Consumption Entry: Entry for Foreign or Mixed Status merchandise into the Customs territory of the United States. Duties and taxes must be paid at the time of filing this form. Consumption entries must be supported by an entry bond.
- 7512: Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit. This form is used to establish the responsibility of bond for the transfer of Foreign or Mixed Status merchandise from the port of unloading to the Zone (unless the Zone is located in the port of unloading which requires the use of a CF 214, CF 3171 or CF 6043); from the Zone to the port of exportation; from one Zone to another Zone; from a Zone to a bonded warehouse; and for other transfer purposes. The CF 7512-C, Transportation Entry and Manifest of Goods Control Card is also required for controlling shipments of merchandise when transferred on a CF 7512.
- 349/350: Harbor Maintenance Fee Quarterly Summary Report & Amended Quarterly Summary Report. The Harbor Maintenance Fee (currently 0.125% ad valorem) is remitted quarterly for merchandise admitted to Foreign-Trade Zones and Subzones. CF 349 is used to report and remit the quarterly fees. CF 350 is used to amend prior reports, to request refunds, or to make supplemental payments.
- MDR: Manifest Discrepancy Report. A CF 214 shall be used to report overages within 5 days of identification and a CF 7501 shall be used to report shortages within 20 days of admission, at the point of unloading, upon arrival at the Zone, or in the Zone. They may be signed by the Operator on behalf of the person who applied for admission of the merchandise to the Zone.

User. A corporation, partnership, or person using a Zone Site or Subzone for storage, handling, manufacturing, exhibiting, or processing of merchandise.

User Agreement. An agreement executed between the Operator of a Multi-User Zone Site and a User to allow for the storage, handling, manufacturing, exhibiting, or processing of User's merchandise at the Zone Site.

Vessel/Aircraft Supply. The supply of goods or equipment free of duties and taxes under Section 309 of the Tariff Act, to eligible vessels or aircraft for use while actually engaged in foreign trade, or in transit to Alaska, Hawaii, Puerto Rico, or any U.S. possession. Sometimes confused with exportation, which involves removal from the geographic territory of the United States and entry into a foreign country. See Section 3210.5.G.

Zone Lot Number (ZLN). A collection of merchandise maintained under an inventory control method based on specific identification of merchandise admitted to a Zone by lot and lot number.

See Item 10 for explanation of abbreviations and symbols.

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Zone Project. All of the Zone and Subzone Sites under the jurisdiction of the Grantee.

Zone Restricted (ZR) Status. Merchandise admitted to a Zone for the sole purpose of exportation or destruction. Merchandise with Zone Restricted status may not enter Customs territory for consumption except when approved by the Foreign-Trade Zones Board.

Zone Site. The physical location of a Zone or Subzone. A Zone Site available for use by companies other than the Operator is referred to as a "Multi-User Zone Site". When the Operator is the sole User of the Zone Site, including Operators of Subzone Sites, the Zone Site is referred to as a "single-User Zone Site".

Zone Status. The status of merchandise admitted to a Foreign-Trade Zone, i.e. domestic (D), non-privileged foreign (NPF), privileged foreign (PF), or Zone restricted (ZR) status.

See Item 10 for explanation of abbreviations and symbols.

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The following table is published for convenience and as a guide for measurement conversion when necessary.

<u>To Find</u>	<u>Given</u>	<u>Multiply</u>
Metric Tons	Short Tons	Short Tons by 0.907
Short Tons	Metric Tons	Metric Tons by 1.102
Metric Tons	Long Tons	Long Tons by 1.016
Long Tons	Metric Tons	Metric Tons by 0.984
Kilos	Pounds	Pounds by 0.4536
Pounds	Kilos	Kilos by 2.2046
Cubic Meters	Measurement Tons (40 cubic feet)	Measurements Tons by 1.333
Measurement Tons (40 cubic feet)	Cubic Meter	Cubic Meters by 0.883
Cubic Meters	MBdFt	MBdFt by 2.36
MBdFt	Cubic Meters	Cubic Meters by 0.424

Metric Equivalentents

1 Kilo		2.2046 Pounds
1 Metric Ton		1,000 Kilos
1 Pound		0.4536 Kilos
1 CWT (U.S.-100 Pounds)	45.359 Kilos	
1 CWT (British-112 Pounds)	50.802 Kilos	
1 Bushel Grain (U.S. 60 Pounds)		27.216 Kilos
1 Cubic Meter		35.315 Cubic Feet
1 Cubic Feet		0.0283 Cubic Meters
1,000 MBdFt		83.33 Cubic Feet
1 Cubic Meter		423.792 MBdFt
1 Barrel (U.S.-42 Gallons)	158.987 Liters	

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ABBREVIATIONS AND SYMBOLS

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\$	Dollars (U.S.)	F.T.Z.	Foreign-Trade Zone
%	Percent	Gal.	Gallon
Art.	Article	Incl.	Inclusive
B.M.	Board Measure	K.D.	Knocked Down
Bbl.	Barrel	Lbs.	Pounds
Bdle.	Bundle	L.C.L.	Less-than-Carload
CFR	Code of Federal Regulations	No.	Number
C/L	Carload	N.O.S.	Not Otherwise Specified
Cl.	Coil	N.S.P.F.	Not Specifically Provided For
COD	Cash on Delivery	Par.	Paragraph
Crt.	Crate	Pc.	Piece
Cs.	Case	Pkg.	Package
Ctn.	Carton	Qt.	Quart
Cu.Ft.	Cubic Feet or	Sec.	Section
Cwt.	100 pounds	Sq.Ft.	Square Feet or Square Foot
Doz.	Dozen	SU	Set Up
Ea.	Each	T/L	TruckLoad
E.g.	For Example	T.S.U.S.A.	Tariff Schedules of the United
Etc.	Et Cetera	U.S.	United States
F.F.	Folded Flat	Yd.	Yard

See Item 10 for explanation of abbreviations and symbols.

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FOREIGN-TRADE ZONE NO. 202
TARIFF NO. 1

SECTION THREE

PRINCIPAL REGULATIONS AND AGREEMENTS
GOVERNING ZONE

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FOREIGN-TRADE ZONES ACT

Foreign-Trade Zone No. 202 is governed by the Foreign-Trade Zones Act, 19 United States Code 81a - 81u, as amended. Copies of the Act are maintained at the office of Foreign-Trade Zone No. 202, located at:

Los Angeles Harbor Department
425 South Palos Verdes Street
P. O. Box 151
San Pedro, CA 90731

FOREIGN-TRADE ZONES BOARD REGULATIONS

Foreign-Trade Zone No. 202 is regulated by the Foreign-Trade Zones Board, Washington, D.C. under U.S. Code of Federal Regulations, Title 15, Part 400, as amended. Copies of these regulations are maintained at the office of Foreign-Trade Zone No. 202 for reference.

U.S. CUSTOMS SERVICE REGULATIONS

Foreign-Trade Zone No.202 is subject to the regulations of the U.S. Customs Service under U.S. Code of Federal Regulations, Title 19, Part 146, as amended. Copies of these regulations are maintained at the office of Foreign-Trade Zone No. 202 for reference.

FOREIGN-TRADE ZONE NO. 202 TARIFF

All corporations, partnerships and persons operating within activated Zone space are subject to this Tariff No. 1. The Foreign-Trade Zone Grantee shall be the sole judge to interpret and determine the applicability of any of the rates, rules, regulations or services provided for in this Tariff. However, any matter involving interpretation of action by U.S. Customs or other agency of the U.S. Government will be determined by the District Director of Customs as the resident representative of the Foreign-Trade Zones Board. One (1) copy of this Tariff will be provided to each Operator. Updates will be provided as revisions occur. Additional copies of this Tariff are maintained at the office of Foreign-Trade Zone No. 202 for reference.

FOREIGN-TRADE ZONE OPERATING AGREEMENTS

Every corporation, partnership and person seeking to operate a Zone Site (including a Subzone) within Foreign-Trade Zone No. 202 must enter into an Operating Agreement with the Port of Los Angeles as Grantee. Copies of the Operating Agreements are maintained at the office of Foreign-Trade Zone No. 202 for reference. If any conflict with this Tariff and any Operating Agreement occurs, the Operating Agreement shall prevail.

FOREIGN-TRADE ZONE USER AGREEMENTS

Every corporation, partnership and person seeking to use the Zone, but not as an Operator, must enter into a User Agreement with an approved Operator of Foreign-Trade Zone No. 202. Copies of the User Agreements are maintained at the office of Foreign-Trade Zone No. 202 for reference.

See Item 10 for explanation of abbreviations and symbols.

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PRINCIPAL REGULATIONS AND AGREEMENTS
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PORT OF LOS ANGELES LEASES

If a corporation, partnership, or person seeks to operate space within the Zone which is owned by the Port of Los Angeles, a separate Lease agreement must be entered into with the Port. For information concerning leases with the Port, contact the Director of Property Management.

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AVAILABILITY OF ZONE

All rates and charges for all services and privileges within the Zone shall be fair and reasonable, and the Grantee shall afford to all who may apply for the use of the Zone and its facilities uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments.

All Zone services and facilities shall be administered fairly and reasonably. In addition, the availability of all said services and facilities is subject to the physical limitations of Foreign-Trade Zone No. 202, with said services and facilities available on a "first-come, first-served" basis.

MERCHANDISE PERMITTED IN A ZONE

Foreign and domestic merchandise of every description, except such as is specifically prohibited by law, may without being subject to the Customs laws of the United States, except as otherwise provided in the Act and the regulations made thereunder, be brought into a Zone.

Merchandise which is specifically and absolutely prohibited by law shall not be admitted into a Zone. Any merchandise so prohibited by law which is found within a Zone shall be disposed of in the manner provided for in laws and regulations applicable to such merchandise. A distinction is made between:

Merchandise which is specifically and absolutely prohibited by law on the grounds of policy and morals, such as immoral or subversive literature, obscene articles, or lottery matter, and

Merchandise which is subject to conditional prohibition only, for example, articles which are subject to permits or licenses for the protection of economic or national security or which may be reconditioned to bring them into compliance with the laws administered by various Federal agencies.

Customs is required to exclude the first class of articles and may not permit them to be transferred to a Zone if they are aware of their prohibited status, except that the District Director may permit the temporary deposit of any such merchandise in the Zone pending final determination of its status. The transfer of articles of the second class to a Zone is subject to any requirements of the Federal agency concerned. There is no prohibition against placing over-quota merchandise in a Zone pending its right to transfer to Customs territory pursuant to the applicable quota provisions.

ACTIVITIES PERMITTED IN ZONE

In general, merchandise lawfully brought into a Zone may, in accordance with these and other regulations made under the provisions of the Act, be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated, or be manufactured into new articles of commerce.

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STATUS OF MERCHANDISE IN A ZONE

All merchandise within a Zone, except merchandise in transit through a Zone and merchandise temporarily transferred to a Zone, shall be given a Zone Status as:

- Privileged Foreign Merchandise
- Non-Privileged Foreign Merchandise
- Zone-Restricted Merchandise
- Domestic Merchandise

The Zone Status of merchandise determines how the merchandise will be treated by Customs, including the rates of duty and excise taxes applicable to the merchandise.

DISPOSITION OF MERCHANDISE IN A ZONE

In general, merchandise lawfully brought into a Zone may be exported, scrapped, destroyed or sent into Customs territory of the United States therefrom, in the original package or otherwise.

ZONE BENEFITS

The types of benefits that can be obtained from use of the Zone, include:

Cash Flow - Customs duties are paid only when merchandise is shipped into the Customs territory. The inventory on-hand can be held in the FTZ without Customs duty payment -- a temporary but often significant savings of carrying costs.

Exports - No Customs duties are paid on merchandise exported from an FTZ. While the drawback law allows the recovery of most Customs duty previously paid after exportation, the law is complex and repayments may be delayed. In an FTZ, the duties are simply never paid. If duties have already been paid, merchandise may be admitted to an FTZ in zone restricted status which allows an immediate claim for drawback, even though the merchandise is still in the U.S.

Defects/Damage/Obsolescence/Waste/Scrap - Customs duties are not paid on merchandise subject to these accountable losses (except for limited types where the duty is substantially less).

Inverted Tariff Savings - In an FTZ, uniquely, the importer may elect to pay the duty rate applicable to either the parts or the finished unit, depending upon which is lower. Many articles have different duty rates for parts and finished units, offering substantial Customs duty savings.

International Returns - A number of firms that export have a percentage of the exports returned to the United States. Customs duties are owed a second time on the returned product if it is of foreign origin. By being returned to an FTZ, no Customs duties are paid upon return.

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Spare Parts - To service many products, spare parts must be on-hand in the United States for prompt shipment. However, it is impossible for most firms to know their requirements for spare parts. Spare parts may be held in the FTZ without Customs duty payment, generating cash flow savings. If it is determined that the spare parts are not needed, they may either be returned to the foreign vendor free of duty or destroyed, avoiding Customs duty payment.

U.S. Quota - Most merchandise may be held in an FTZ, even if it is subject to U.S. quota restriction. When the quota opens, the merchandise may be immediately shipped into U.S. Customs territory.

Quota Avoidance - Quota merchandise (except textiles) may be substantially transformed in an FTZ into a non-quota article that can be entered into the U.S. Customs territory free of quota restrictions.

Quality Control - The FTZ may be used for quality control to insure that only merchandise that meets specifications is imported and duty paid. All other materials may be repaired, returned to the foreign vendor, or destroyed under Customs' supervision.

Country-of-Origin Marking/Labeling - Depending upon the merchandise, the level of activity, and use of U.S.-sourced goods and processes, merchandise may be "substantially transformed" into a product considered to be of U.S. origin.

Security - The FTZ is subject to U.S. Customs Service supervision and security requirements. Unauthorized withdrawal of merchandise such as employee pilferage or stealing is a violation of 18 U.S.C. 549 carrying a penalty of two (2) years in a federal penitentiary and a \$5,000 fine per offense. Many firms have found the security required and the federal penalty provisions to be of substantial benefit in reducing inventory losses.

Inventory Control - Operations in an FTZ require accuracy of receipt, processing and shipment of merchandise. Firms have found that the increased accountability cuts down on inaccurate inventory and requirements for emergency air freight shipments from overseas of necessary merchandise. It also allows for identification of particular problem areas in production.

Consumed Merchandise - Certain types of merchandise consumed in processing in an FTZ are not subject to U.S. Customs duties.

Products of Formerly Communist Countries - Merchandise from many of these countries have a very high duty rate, but if substantially transformed in the FTZ to a new and different article of commerce, may be subject to the lower Column I (MFN) duty rate.

806/807 Program - FTZ's are used in conjunction with this program for shipment of U.S. merchandise overseas for processing and return, generating greater Customs duty savings. Mexico's maquiladora program was designed to work in conjunction with this U.S. program to obtain duty-free transfers of merchandise.

Entireties Provision - An importer can choose whether or not the entireties provision is applicable to merchandise admitted to a foreign-trade zone.

Exhibition - Merchandise can be held for exhibition to customers without Customs duty payment.

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Reduced Insurance Costs - The insurable value of merchandise held in an FTZ need not include the Customs duty payable on the merchandise. Therefore, insurance costs should be less.

Cargo Insurance - Some users of FTZ's have negotiated up to a 40% reduction in cargo insurance rates because imported merchandise is shipped directly to an FTZ without the opportunity for pilferage at deepwater ports or major international airports.

Zone-to-Zone Transfer - An increasing number of firms are making use of the ability to transfer merchandise from one zone or subzone to another. If the transfer of the merchandise is in-bond, Customs duty is not owed until the product is finally shipped into the U.S. Customs territory. A number of suppliers of components store or produce a product in one zone and ship it to their customer that incorporates the merchandise into a final product, in many instances taking advantage of a lower duty rate than the duty rate of the components produced in the first FTZ. It is also possible to pay duty on the price of the component to the first FTZ user and not on the transfer price to the second user.

Temporary Importation Bonds - Merchandise may be entered into the United States by means of a T.I.B. without Customs duty payment, processed and shipped to an FTZ in zone restricted status, releasing the T.I.B. The use of the T.I.B. procedure offers operational flexibility without the payment of Customs duties.

Temporary Removal Procedure - Merchandise may be removed from an FTZ into the Customs territory in-bond for certain activities and returned to the FTZ without Customs duty payment.

Retail Containers - A Customs Headquarters Ruling held that foreign-origin retail containers, i.e., tin cans, would be duty-free when filled with domestic product prior to shipment from an FTZ.

Compliance with Federal Laws - Merchandise can be admitted into an FTZ without being subject to a wide array of Federal laws that would otherwise prohibit the importation. Such government agencies as the FDA, DOT, EPA, and USDA have laws that do not apply to merchandise in an FTZ.

Enterprise Zone Coordination - Foreign-trade zone advantages may be combined with those of enterprise zones for enhanced financial gain. Foreign-Trade Zone No. 202 is located within several enterprise zones:

Wilmington/San Pedro Enterprise Zone--This zone offers reduced state taxes, reduced government regulation and other incentives for firms hiring new employees or making new investments within the designated area. FTZ No. 202 is within the Wilmington/San Pedro Enterprise Zone and benefits from both may be obtained.

Los Angeles Revitalization Zone--LARZ offers tax credits for hiring qualified employees, sales and use tax credits for buildings and machinery, business expense deductions for tools and equipment, construction hourly-wage tax credits, net operating loss carryovers, and net interest deductions for lenders. All companies locating within the designated LARZ qualify for these benefits. FTZ No. 202 is located within the LARZ and benefits from both may be obtained.

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Generalized System of Preferences - Merchandise to be deleted from the GSP may be admitted to an FTZ in privileged foreign status, and all such merchandise in that status will retain the GSP duty-free status even after the effective date of the change.

Military Duty-Free Certification Program - It is possible to admit merchandise into an FTZ and sell a portion to the military under its duty-free program. At the time of importation and admittance to the FTZ, the precise merchandise to be sold to the military need not be identified.

Transfer of Title - Title to merchandise may be transferred in an FTZ as long as there is not a "retail" sale.

Nondutiability of Labor, Overhead and Profit - Customs duties are not owed on labor, overhead and profit from production operations in an FTZ. If the same procedure were done overseas, the value of the labor, overhead and profit would be subject to U.S. Customs duty.

Accounting Systems - Specific identification is not required in an FTZ. FIFO inventory accounting has been approved by Customs for Zone operations. In addition, FOFI (Foreign First) has also been approved for some Zone operations.

Changing Circumstances - As U.S. laws and especially Customs laws change, location in an FTZ allows a firm greater flexibility in addressing these changing circumstances.

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SECURITY AND SAFETY REQUIREMENTS IN THE ZONE

All Foreign-Trade Zone Sites, in order to be approved for their initial activation by Customs, must meet certain security and safety requirements. These requirements may include, but are not limited to, locking warehouse doors, adequate fencing, personnel screening, security guards, proper lighting in warehouses, absence of debris or other safety hazards, etc. Each Zone Site will be considered separately to determine what Customs may require to protect the revenue of the United States, based on the specific conditions of each Zone Site.

After a Zone Site has been activated, all security and safety measures required to achieve the initial activation must be maintained at all times. Spot checks may be conducted by Customs and the Grantee and liquidated damages or notices may be assessed if these requirements are found to be insufficiently met in any way.

No operation or process of treatment will be permitted in the Zone that, in the judgment of the Foreign-Trade Zones Board, Customs, or the Grantee, is detrimental to the public interest, health and safety.

HAZARDOUS COMMODITIES

The Zone will not be required to accept for storage any commodity that will affect the rate of insurance on other merchandise in storage. The Operator must notify the Grantee, prior to approval of the CF 214, for receipt of any hazardous commodity into the Zone.

INVENTORY CONTROL AND RECORDKEEPING SYSTEMS

All inventory control and recordkeeping systems employed by Operators within the Zone must be designed to meet the requirements of the U.S. Customs Service Regulations. Under the Regulations, each Operator maintains the inventory records. The U.S. Customs Service is relieved of the duty of actually keeping the records, but maintains assurance of the systems' accuracy by selective examinations of merchandise, and spot checks and audits of Zone facilities. Each system must be capable of producing the following required results:

1. Accounting for all merchandise, including domestic status merchandise, temporarily deposited, admitted, granted a Zone status and/or status change, stored, exhibited, manipulated, manufactured, destroyed, transferred, and/or removed from a Zone;
2. Producing accurate and timely reports and documents as required by the Customs Regulations;
3. Identifying shortages and overages of merchandise in the Zone in sufficient detail to determine the quantity, description, Tariff classification, Zone status, and value of the missing or excess merchandise;
4. Providing all information necessary to make entry for merchandise being transferred to the Customs territory; and
5. Providing an audit trail to Customs forms from admission through manipulation, manufacture, destruction or transfer of merchandise from the Zone by a Customs authorized inventory method.

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Inventory methods approved by U.S. Customs Service are as follows: F.I.F.O. (First In First Out) and Lot (Specific Identification). Other inventory methods will require prior approval by the Grantee and the U.S. Customs Service. An Operator shall maintain a Manual detailing the inventory control and recordkeeping procedures employed at the Zone Site which shall be available at all times for review by the Grantee and Customs.

PROPRIETARY INFORMATION

Proprietary information contained on Customs forms or in the inventory control and recordkeeping systems of Operators will not be disclosed to unauthorized persons. The Customs Regulations provide for liquidated damages for unauthorized disclosure of proprietary information. As Operators will have Customs Entry data in their records, Operators are required to devise an appropriate methodology to assure confidential treatment of proprietary information of Users.

RESIDENCE WITHIN ZONE

No person shall be allowed to reside within a Zone except Federal, State or municipal officers or agents whose resident presence is deemed necessary by the Foreign-Trade Zones Board.

HOLIDAYS

As applied within the Tariff, the term "holidays" includes the following named days: (1) New Year's Day, (2) Martin Luther King's Birthday, (3) Lincoln's Birthday, February 12, (4) Washington's Birthday, the third Monday in February, (5) Memorial Day, the last Monday in May, (6) Independence Day, July 4, (7) Labor Day, the first Monday in September, (8) Columbus Day, the second Monday in October, (9) Veteran's Day, November 11, (10) Thanksgiving Day, the fourth Thursday in November, (11) Christmas Day, December 25, (12) every day proclaimed by the President of the United States or Governor of the State of California to be a legal holiday.

Holidays falling on Sunday will be observed the following Monday.

HOURS OF BUSINESS AND SERVICES

The Zone shall be available for business activities on a 24-hour basis. Regular or normal business hours shall be between the hours of 8:00am and 5:00pm, Monday through Friday, except on holidays.

The Zone may be opened at other times, on an irregular or regular basis, upon application and with approval of the Grantee, Operator of the Zone Site and Customs.

INSURANCE

Insurance on merchandise at the Zone must be carried by and at the expense of the Operator, or owner of the merchandise. Merchandise stored, manipulated or transferred within the Zone is not insured by the Grantee and the Zone Tariff rates do not include insurance on merchandise.

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LIABILITY OF GRANTEE

The Grantee shall not be liable and shall not assume responsibility for any loss or damage to freight, cargo or merchandise or to any person or property within the Zone, or for any loss or damage arising from acts of commission or omission of Operators, tenants, occupants, or Users of the Zone.

RECORD RETENTION

The Grantee, Operators and Users are required to retain records for five (5) years after merchandise is removed from the Zone. Records must be readily available for Customs review at the Zone Site(s).

MERCHANDISE PROCESSING FEE

In 1986, a schedule of fees were established and charged to Users of various services provided by the U.S. Customs Service in connection with the processing of persons, aircraft, vehicles, railroad cars, vessels, broker permits and mail arriving in the U.S. Separate fees are established for formal entries, informal entries, facilities, and passengers. Surcharges are established for manual entries, and several exemptions are available.

The MPF is reported on each entry (CF 7501) from a Foreign-Trade Zone. Payment is made at the same time as duty payment. Payment should be based on the foreign value only (PF and NPF) of the merchandise being entered.

HARBOR MAINTENANCE FEE

In 1986, a fee was established on port use by vessels carrying waterborne commercial cargo. The Harbor Maintenance Fee (HMF) applies to port use associated with imports, exports and movements of cargo between designated ports.

Merchandise admitted to Foreign-Trade Zones from a designated port, and merchandise withdrawn from a Foreign-Trade Zone for export through a designated port are subject to the MPF. The fee is paid on a quarterly basis and reported on Customs Form 349. The fee and report are due within 31 days following the close of each calendar quarter. Customs Form 350 is used to request refunds of overpayment, or to make supplemental payments.

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ADMISSION OF MERCHANDISE TO THE ZONE

Upon arrival at the first port of unloading, the Operator, User, or its Customhouse broker will arrange for foreign merchandise to be transferred in-bond to the Zone.

Before foreign merchandise may be admitted into the Zone, an application on CF 214 must be submitted to and approved by the Zone Site Operator and Customs. The application shall describe the merchandise fully, including the applicable Harmonized Tariff Schedule numbers.

Operator's dock personnel will receive all paperwork from the carrier on arrival at the Zone Site. The merchandise will be unloaded, inspected by Operator's dock personnel and quantities verified against the manifest and cartage documents. Any damage or discrepancy must be noted on the CF 214. The carrier must sign the CF 214 to confirm the damage or discrepancy. Customs must be immediately notified of any refusal by a carrier to sign for the damage or discrepancy. If the cartage documents have already been signed and the carrier released, damage or discrepancy will be reported to Customs on a Manifest Discrepancy Report.

Merchandise received without complete Customs documentation or which is unacceptable to the Operator's inventory control and recordkeeping systems will be recorded in the Admission Suspense Account. When sufficient information or documentation becomes available, the Operator will complete the admission procedures and relieve the Admission Suspense Account accordingly.

A Zone lot file will be created by the Zone Site Operator for each admission, which shall contain the fully signed CF 214, an examination invoice, and all other documentation necessary to account for merchandise covered by each CF 214. The Zone lot files will be maintained in sequential order by using the unique CF 214 number as the file reference number. If a UIN system is used, no Zone lot file is required. However, the Operator is required to maintain all CF 214's in sequential order in a UIN file.

Direct delivery procedures may be available for Operators when: operations are predictable and stable over a long term and are relatively fixed in variety; merchandise is not restricted or of a type requiring Customs examination before or on its arrival, and Customs has no reason to believe will be inaccurately described in admission documents; and when the Operator is the owner or purchaser of the merchandise.

CUSTOMS INSPECTION OF ZONE MERCHANDISE

The Operator shall make merchandise subject to Customs inspection immediately available and shall have the sole responsibility of opening crates and packages, handling the merchandise and securing the crates and packages following the inspection.

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STORAGE OF MERCHANDISE

Merchandise may be stored for an unlimited period of time in the Zone. Merchandise controlled under a Zone lot system must be physically segregated and marked by lot and lot number. Merchandise controlled under a UIN system does not need to be physically segregated or marked.

MANIPULATION OF MERCHANDISE

Before foreign merchandise may be manipulated within the Zone, the Operator shall make application on CF 216 to Customs for approval. On approval by Customs, the contemplated manipulation may occur. A yearly, blanket CF 216 may be allowed by Customs.

MANUFACTURING IN THE ZONE

The only manufacturing that may occur in the Zone shall have been approved in writing by the FTZ Board prior to the commencement of any manufacturing activity. A CF 216 will also be required to be filed with U.S. Customs prior to the manufacturing and a yearly, blanket CF 216 may be allowed by Customs.

EXHIBITION OF MERCHANDISE

Any merchandise admitted to the Zone may be exhibited. The Operator must obtain permission from Customs to exhibit merchandise by obtaining approval on a CF 216. Note: Retail sales are not permitted.

RETAIL TRADE IN THE ZONE

No retail trade shall be conducted within a Zone except under permits issued by the Grantee and approved by the Board. Such permittees shall sell no goods except such domestic duty-paid or duty-free goods as are brought into the Zone from Customs territory. Permits which are sent to the Board for approval shall be accompanied by a sworn statement, subscribed to by the Applicant before a duly authorized officer to administer oaths, setting forth in detail the nature of the retail trade to be conducted, and containing an agreement that such Applicant will sell no goods except the kinds specifically authorized by the Act, which are brought into the Zone from Customs territory. No goods shall be offered for sale or sold in a Zone which are not of the same kind and quality permitted to be offered for sale or sold in the political jurisdiction in which the Zone is located. If the permittee violates any provision of the regulations in this Section, the permit shall be revoked by the Grantee, who shall immediately report such action to the Board.

CHANGE IN ZONE STATUS

The Zone status of merchandise may be changed in the Zone. Merchandise in NPF status may be changed to PF status if done prior to manipulation or manufacture effecting a change in Tariff classification of the merchandise. PF status may not be changed to NPF status. Merchandise in PF or NPF status may be changed to ZR status. The Operator will submit a CF 214 to Customs for approval of a Zone status change.

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DESTRUCTION OF MERCHANDISE

Whenever Zone status merchandise is discovered damaged or merchandise is considered waste or scrap, it shall be physically segregated, marked and otherwise secured to preserve its identity. Such merchandise may be held for return to the vendor, or for destruction, or Customs entry made. All merchandise destroyed shall be recorded in the Operator's inventory control and recordkeeping systems.

TEMPORARY REMOVAL FROM ZONE

Merchandise may be removed temporarily from the Zone for repair, restoration, or incidental operations on application by the Operator to Customs.

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THEFT OF MERCHANDISE

Theft or suspected theft of any merchandise shall be reported in writing to the Grantee and the District Director of Customs upon discovery. Every effort shall be made by the Grantee, Operators and Users to determine the facts and assist Customs and other federal or local agencies in any investigation and prosecution for theft.

OVERAGES AND SHORTAGES OF ZONE MERCHANDISE

The Operator shall record all inventory overages and shortages of merchandise and report same as follows:

Overages -- Excess Foreign Status merchandise not properly admitted to the Zone shall be admitted to the Zone on a CF 214 or Customs Entry shall be made. The CF 214 or Customs Entry shall be filed with Customs along with a written report to the Grantee and Customs within five (5) days after identification of the overage.

Shortages -- Shortages of one percent (1%) or more of the quantity of foreign status merchandise in a Zone lot or UIN, if the missing merchandise would be subject to duties and taxes of \$100 or more upon entry to the Customs territory, shall be reported in writing to the Grantee and Customs upon identification of the shortage. Merchandise shortages shall be reported to Customs by filing an Amended CF 214, a Manifest Discrepancy Report, or making entry with payment of duties.

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TRANSPORTATION OF ZONE MERCHANDISE

Transfer of foreign merchandise to the Zone, movement of merchandise between Zone Sites, or removal of merchandise from the Zone for Exportation must be made by Customs bonded cartman or carrier and subject to all Customs Regulations.

REMOVAL OF MERCHANDISE FOR DOMESTIC CONSUMPTION

Before merchandise may be removed from the Zone, the Operator, User or Customhouse broker shall prepare an FTZ Application to Transfer Report (or other approved form) and Customs entry documentation detailing the merchandise to be shipped from the Zone. The Operator checks for accuracy, determines that a sufficient quantity of the merchandise is available for shipment, and obtains Customs approval for release of the merchandise from the Zone.

Any discrepancy may be adjusted by a discrepancy report signed by the Operator and the carrier or importer within 15 days after transfer of the merchandise, and delivered to Customs within 10 working days thereafter.

Merchandise must be physically removed from the Zone within five (5) working days of approval of the Entry, unless Customs has authorized an extension. Merchandise awaiting removal will not be further manipulated or manufactured in the Zone, but will be segregated or otherwise identified by the Operator as merchandise approved for removal from the Zone. When an entry of any kind has been filed for merchandise in the Zone, but the merchandise has not been physically removed within the 5-day time limit (or any extension thereof), the merchandise shall be considered constructively transferred back to the Zone in its previous Zone status and the entry shall be canceled.

When an entry has been filed for merchandise in the Zone and the merchandise has been physically removed from the Zone, it may not be readmitted to the Zone or placed in another Zone for further manipulation or manufacture, unless approved by Customs.

All duties and taxes are due with the filing of the entry summary (CF 7501) within 10 working days after release of the merchandise on a CF 3461.

WEEKLY ESTIMATED ENTRIES FOR CONSUMPTION

Customs may approve removal of merchandise from the Zone based on weekly estimated entries, if (1) the merchandise has been manufactured or otherwise changed in its physical condition in the Zone and (2) the merchandise is physically transferred from the Zone within 24 hours of the manufacture or other change; or the merchandise has not been manufactured or otherwise changed in its physical condition in the Zone, but the Operator is participating in the Customs trial program regarding such merchandise.

REMOVAL OF ZONE RESTRICTED MERCHANDISE

Merchandise in Zone Restricted Status may not be transferred to Customs territory without the specific approval of the Foreign-Trade Zones Board.

See Item 10 for explanation of abbreviations and symbols.

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REMOVAL OF MERCHANDISE FOR EXPORT

Before merchandise may be removed from the Zone, the Operator, User or Customhouse broker shall prepare an FTZ Application to Transfer Report (or other approved form) and any required export documentation detailing the merchandise to be exported from the Zone. The Operator checks for accuracy, determines that a sufficient quantity of the merchandise is available for shipment, and releases the merchandise from the Zone.

Any discrepancy may be adjusted by a discrepancy report signed by the Operator and the carrier or importer within 15 days after transfer of the merchandise, and delivered to Customs within 10 working days thereafter.

Merchandise must be physically removed from the Zone within five (5) working days of approval of the Entry, unless Customs has authorized an extension. Merchandise awaiting removal will not be further manipulated or manufactured in the Zone, but will be segregated or otherwise identified by the Operator as merchandise approved for removal from the Zone. If the merchandise has not been physically removed within the 5-day time limit (or any extension thereof), the merchandise shall be considered constructively transferred back to the Zone in its previous Zone status.

WEEKLY ESTIMATED EXPORTS

Customs may approve removal of merchandise from the Zone based on weekly estimates, if (1) the merchandise has been manufactured or otherwise changed in its physical condition in the Zone, (2) the merchandise is physically transferred from the Zone within 24 hours of the manufacture or other change, and (3) weekly estimated entry procedures are being used; or the merchandise has not been manufactured or otherwise changed in its physical condition in the Zone, but the Operator is participating in the Customs trial program regarding such merchandise.

ZONE TO ZONE TRANSFERS

Zone to Zone transfers are permitted. The Operator, User or Customhouse broker shall prepare an FTZ Application to Transfer Report. The Operator checks for accuracy, determines that a sufficient quantity of merchandise is available for transfer for shipment, and releases the merchandise from the Zone to a bonded carrier or cartman for delivery to another Zone or Zone Site. The Operator shall transmit historical data on the merchandise to the destination Zone within 10 working days after delivery of the merchandise to the bonded carrier/cartman. The data shall reference the CF 7512 number covering the merchandise and include:

Lot Inventory Control:

Copy of original CF 214 with accompanying invoices for admission of the merchandise and all components thereof.

Copy of any CF 214 subsequently filed to change Zone status.

Copy of any CF 216 to manipulate or manufacture the merchandise.

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UIN Inventory Control:

Provide a Statement which includes:

- (a) Total Zone Value (if required by Customs)
- (b) Dutiable Value
- (c) Quantity
- (d) Description
- (e) HTSUS
- (f) UIN
- (g) Zone Status of all merchandise and components thereof
- (h) Whether merchandise has been manipulated or manufactured to effect a change in Tariff classification
- (i) Certification stating that "the information contained herein is true, and accurately reflects the information contained in the Zone inventory control and recordkeeping systems," and signed by the Operator.

Normal admission procedures shall be followed on merchandise received from another Zone.

TRANSFERS TO BONDED WAREHOUSE

Nonprivileged foreign status (NPF) merchandise may be transferred to a bonded warehouse (O.R.R. 76-0067); Privileged foreign status (PF) merchandise may not be transferred to a bonded warehouse (C.S.D. 81-8); Zone Restricted Status (ZR) merchandise may be transferred to a bonded warehouse for export only (T.D. 83-139); Merchandise in a bonded warehouse may not be transferred to a Foreign-Trade Zone, other than in Zone Restricted (ZR) status (C.S.D. 79-204; C.S.D. 81-88).]

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ANNUAL AUDIT AND REPORTING
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ANNUAL AUDIT

The Operator will conduct an annual physical inventory of all merchandise in the Zone [unless cycle counts are taken as part of an ongoing inventory control program]. Customs shall be given prior notification of the date(s) when the annual physical inventory will be performed so that Customs may participate if deemed necessary.

ANNUAL RECONCILIATION REPORT

Within ninety (90) days of the end of the Zone Site year, the Operator will prepare an Annual Reconciliation. The Annual Reconciliation. An extension of the 90-day period can be obtained from the Grantee and Customs for reasonable cause. The Annual Reconciliation shall contain the following:

1. Description of merchandise for each ZLN or UIN;
2. Zone Status;
3. Quantity on hand at the beginning of the year;
4. Cumulative Receipts (admissions) by unit;
5. Cumulative transfers by unit;
6. Quantity on hand at the end of the year;
7. Cumulative positive and negative adjustments by unit to inventory with explanation.

A copy of the Annual Reconciliation shall be provided to the Grantee, but a copy need not be furnished to Customs unless requested. However, the Operator shall submit to Customs within ten (10) working days after completion of the Annual Reconciliation, a letter declaring that the Annual Reconciliation has been prepared, is available for Customs review, and is accurate. The letter shall also contain any required reporting of shortages and overages of merchandise, verification that an annual internal review of inventory and recordkeeping systems has been performed, the name and street address of the Operator, where the required records are available for Customs review, and the name, title, and telephone number of the person having custody of the records.

ANNUAL INTERNAL SYSTEMS REVIEW

The Operator shall also perform an Annual Internal Review of the inventory control and recordkeeping systems under its supervision and shall report to the Grantee and the District Director of Customs any deficiency discovered and corrective action taken to ensure that the systems meet the requirements of the Customs Regulations.

FOREIGN-TRADE ZONES BOARD ANNUAL REPORT

The Grantee is responsible for preparing and filing with the Foreign-Trade Zones Board an Annual Report summarizing all Zone activity as of September 30 of each year. The Report shall be filed by December 31 of each year pursuant to current requirements of the Foreign-Trade Zones Board.

In order for the Grantee to meet its responsibility in this regard, each Operator shall complete a form submitted by the Grantee to the Operator so that sufficient data is available. The Operator shall complete the form and return it to the Grantee by December 1 of each year.

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ZONE FEES, CHARGES AND RATES

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APPLICABILITY

The following fees, charges and lease rates apply to Operators of Zone Sites, not to individual User companies. Zone Users of Multi-User Zone Sites [meaning Sites available for use by companies other than just the Operator] will be charged in accordance with rates established by the Zone Site Operator and as approved by the Grantee to insure the charges are fair, reasonable and provide Zone use on an equitable basis to all similarly situated. Multi-User Zone Site Rates are available from the Grantee upon request.

APPLICATION FEE

An application fee will be charged to an Operator when the Grantee must return to the Foreign-Trade Zones Board for approval of (a) expansion to include new Zone space or a new Zone Site, (b) boundary modification to accommodate expanded operations, (c) for manufacturing authority or scope requests, and (d) for Subzone designation.

The fee will cover Grantee expenses for obtaining the necessary approvals/resolutions of the application, submission to the Foreign-Trade Zones Board, and support services required in the approval process. The fee does not include actual preparation of applications or requests. The fee is based on the following schedule:

Expansion Application	\$ 2,500.
Boundary Modification	\$ 1,500.
Manufacturing Request	\$ 3,000.
Subzone Application	\$15,000.

All fees are payable in advance of application request, with the exception of a subzone application, which requires \$10,000. to be paid in advance and \$5,000. payable upon Board approval.

The Operator will also be responsible for paying any application or filing fees required by the Foreign-Trade Zones Board for such an application.

ACTIVATION FEE

An activation fee will be charged to an Operator when seeking to activate a Zone Site. The fee will cover Grantee expenses for the preparation and processing of the Operator Agreement, providing the Grantee Concurrence Letter to the U.S. Customs Service, and review of activation and operations procedures. The fee does not include preparation of actual activation request, procedures manual, or other documents which may be required by Customs Regulations.

The activation fee is \$5,000., payable in advance of requesting activation from Customs. The Operator will also be responsible for paying any activation fees required by Customs for such a request.

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ANNUAL FEE

The annual fee will cover the administration of the Zone by the Grantee, preparation of the Annual Report to the Foreign-Trade Zones Board, and support services from the Grantee staff. Upon activation, an Operator shall be charged an annual fee. Standard annual fees are:

General Purpose Sites	\$ 5,000.
Subzones	\$10,000.

Annual fees for special uses, large area uses, and enterprise zone/ revitalization zone development projects are subject to negotiation with the Grantee.

The annual fee is payable on the date of Customs activation and annually for each subsequent year the facility remains activated.

Zone fees may be increased/decreased each year based on the provisions of the Operating Agreement between the parties.

CHARGES FOR SPECIAL ZONE STAFF SERVICES

The Grantee maintains at the Zone a staff of employees to assist in the normal operation of the Zone during regular business hours as set forth in this Tariff. Zone staff services rendered at other hours or during holidays at the specific request of an Operator or User will be at the following rates for a four (4) hour minimum:

Supervisory Personnel --	\$75.00 per hour or portion thereof.
Non-Supervisory Personnel --	\$50.00 per hour or portion thereof.

CUSTOMS FEES

At the time of issue of this Tariff, no fees are charged by Customs for Zone services. Should any fees or charges be imposed in the future, all such fees and charges shall be payable by the Operator of the affected Zone Site. However, Customs does charge for overtime and other special services provided at the request of an Operator. Such fees and charges shall be payable by the Operator of the affected Zone Site. Under no circumstances will the Grantee be liable or responsible for any such Customs fees or charges.

FTZ BOARD FEES

Any fees or charges imposed by the Foreign-Trade Zones Board shall be payable by the Operator of the affected Zone Site, or as apportioned by the Grantee among the Zone Sites. Under no circumstances will the Grantee be liable or responsible for any FTZ Board fees or charges.

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OTHER GOVERNMENT AGENCY FEES

Charges for services of other Government agencies should be arranged for and paid by the Operator who requires and uses such services. Under no circumstances will the Grantee be liable or responsible for any other Government agencies fees or charges.

FINES, PENALTIES AND LIQUIDATED DAMAGES

U.S. Customs Service fines, penalties, or liquidated damage claims affecting Zone merchandise or Zone activities will be paid by the Operator of the affected Zone Site. The same is true of any other fines, penalties, or liquidated damage claims by other government agencies concerning operations at the Zone Site. Under no circumstances will the Grantee be liable or responsible for any fines, penalties, forfeiture or liquidated damage claims.

Further, the Grantee may charge an Operator or User up to \$200 per day for violation or failure to correct any violation of the Foreign-Trade Zones Act, Zone regulations, Customs Regulations, the Tariff, or the requirements of the Zone Site operations and procedures. The Grantee will issue a written Notice of Violation to the Operator or User with a written response required from the within seven (7) business days. Grantee will review the written response for mitigating circumstances and within fifteen (15) business days thereafter issue a final decision. Failure of the Operator or User to reply to the Notice of Violation shall cause the Notice of Violation to be in effect without further review. These charges are in addition to any penalties or liquidated damages imposed by any government agency.

ENFORCEMENT OF CHARGES

Zone fees and charges are due and payable when invoiced. All fees and charges are non-refundable. Any and all amounts required to be paid by Operator to Grantee, or which are to be paid "with interest" or which Grantee advances on behalf of Operator, which are not paid when due shall bear interest at the following rate: the legal rate provided by law for judgments in California plus three percent (3%), or the posted announced prime rate of the Bank of America, Los Angeles, California on the date payment is due, plus one percent (1%), whichever is grater. The interest rate shall be per annum from the due date until paid, unless otherwise specifically provided but the rate shall be modified from time to time as the legal rate or prime rate change. Failure to pay fees and charges on a timely basis may also result in cancellation of the Grantee/Operator Agreement, deactivation of the Zone Site, eviction, or other remedies deemed appropriate by the Grantee.

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ACTIVATION

When an Operator desires to activate Zone space, the Operator shall submit to the Grantee:

1. Blueprints--Two blueprints detailing the Zone space for which activation is desired. The blueprint shall correctly note all openings and buildings; all outlets, inlets, and pipelines to any tank for the storage of liquid or similar product; and all other features required by Customs regulations. The exact space for which activation is sought should be outlined in red.
2. Purpose of Activation--A letter describing in detail the proposed use of the activated Zone space.
3. Application Fee--A check in the amount of the Activation fee made payable to Grantee.
4. Gauge Table--A gauge table, when appropriate, showing the capacity in the appropriate metric unit of any tank certified to be correct by the operator of the tank .
5. Procedures Manual--A copy of the Procedures Manual established specifically for the Zone Site operation and certified by a duly authorized official of the Operator to meet the requirements of Subpart B of the Customs Regulations governing foreign-trade zones.
7. Background Investigation--In order to permit the Customs Service to perform a background investigation on the qualifications, character and experience of key employees and principal officers who will be involved in the operation of this Zone Site, a list of these people (including full names, addresses, social security numbers and birthdates).
8. Security Inspection--A description of the Zone Site security system.
9. FTZ Operations Bond--An FTZ Operations Bond in the amount of \$50,000, or as otherwise requested by Customs.
10. Request to Manufacture--A description of any proposed manufacturing activity and a copy of the Foreign-Trade Zones Board approval of this activity.
11. Operations Agreement--A duly executed copy of the Operations Agreement between the Operator and the Grantee covering the Zone Site for which activation is sought.

Following submission of this information to the Grantee, the Grantee will request such additional information as may be needed to complete its review of the activation request, or provide the Operator with the Grantee's Letter of Consent to activation of the designated Zone Site.

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The Grantee will work with the Operator toward activation of the Zone Site by Customs and commencement of Zone operations.

DEACTIVATION

An Operator may deactivate all of a Zone Site by notifying the Grantee pursuant to the terms of the Operating Agreement between the Operator and the Grantee.

ALTERATION

An Operator may decrease the amount of activated space at a Zone Site by giving thirty (30) days advance notice to the Grantee and to Customs. An Operator may increase the amount of activated space at an already activated Zone Site by submitting to the Grantee new blueprints (2) and a letter detailing the reasons for seeking activation of the additional space. No fee is required.

EXPANSION AND BOUNDARY MODIFICATION

If an Operator desires to expand its operations to a new Zone Site or into areas not previously approved for Zone operations by the Foreign-Trade Zones Board, the Grantee will provide an outline for application to the Operator upon payment of the applicable fee to the Grantee. Following approval by the Foreign-Trade Zones Board, the Operator shall seek activation pursuant to the procedures above.

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SECTION SEVEN

APPLICATION TO BECOME AN OPERATOR OF
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EXPECTATION OF OPERATORS

An Operator of a Zone Site or Subzone under the jurisdiction of Foreign-Trade Zone No. 202 will be responsible for all operational aspects of the Zone Site or Subzone. This includes, but is not limited to:

Supervision of all Zone admissions, transfers, withdrawals, recordkeeping, inventory procedures and balances, manipulations, manufactures, exhibitions, destructions, warehousing, transportation and bonding.

Payment of all Zone fees and charges, Customs duties and taxes, and fines, penalties and liquidated damages assessed against the Zone Site or Subzone, or a User thereof.

Preparation of all applications and activation requests relating to the Zone Site or Subzone.

Signing of all Zone documentation, including CF 214's and CF 216's.

Development of inventory control and recordkeeping systems for the Zone Site or Subzone and reflecting such procedures in a Manual acceptable to the Grantee and Customs.

Assure that all inventory control and recordkeeping systems for the Zone Site or Subzone are functioning correctly; account for theft, overages and shortages of merchandise; perform annual audits of Zone inventory and internal systems reviews; and, meet all annual reporting requirements to the Grantee, Foreign-Trade Zones Board and Customs.

Maintain User Agreements with all Users of the Zone Site.

Assist the Grantee with marketing of the Zone, and cooperate with the Grantee in all respects.

Develop the professional knowledge to operate a Zone Site or Subzone by attending Zone training and maintain adequate staff knowledgeable about Zone operations to properly carry out the responsibilities to the Grantee, Foreign-Trade Zones Board, Customs and Users.

SPONSORSHIP BY GRANTEE

All firms desirous of obtaining/operating a Zone Site or Subzone must make application to the Grantee requesting such status and sponsorship. The Grantee, in order to maintain control over the Zone's growth and provide the Zone services needed in the Greater Los Angeles area, will decide on a case-by-case basis whether or not it has the jurisdictional authority to support such a request and whether it is in the public interest. Due to the important delegation of responsibilities that accrues to Operators, the Grantee recommends that Applicants seek professional assistance in the preparation of the Sponsorship and Qualification Statement. The Grantee maintains a list of consultants recognized by the National Association of Foreign-Trade Zones for such purpose.

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SPONSORSHIP & QUALIFICATION STATEMENT

All Applicants shall provide the following information to the Grantee in letter or memorandum format and signed on behalf of the Applicant by a duly authorized officer of the Applicant:

1. Name of Applicant, address, phone number, facsimile number, name and title of official responsible for the application.
2. Type of Designation sought, e.g. Multi-User Zone Site, Single-User Zone Site, or Subzone.
3. Description of Proposed Site, services to be offered at Site, and proposed activities at the Site, including blueprints and maps of Site if not already on file with the Grantee.
4. Description of Applicant, including type of organization, number of years in existence, number of employees, size and location of facilities, prior experience in importing, prior experience with Foreign-Trade Zones, and staff resources to be devoted to Zone activity.
5. Statement of Definitive Need for Zone services in the form of a benefits analysis, statement of anticipated expenses of Zone operation.
6. Description of Operational Capabilities, including a description of the systems that will be used to manage Zone activity.
7. Designation of Sub-Operators, Customhouse Brokers, Consultants, Attorneys and Agents which you intend to use for Zone operations, and a description of their capabilities per 4, above.
8. Description of Public Benefits to be derived, i.e. jobs to be created/preserved, capital investment to be made/retained, exports created/retained, new domestic sourcing, creation or retention of technology in US, furtherance of domestic trade policy, assistance in federal balance of payments.
9. Financial Statements of the Applicant for the prior three years.
10. Description of Activities to be conducted at the Zone Site or Subzone, including the nature and scope of operation, production processes, materials and components used, statement as to extent and nature of foreign competition in relevant products, foreign-sourced materials and components with tariff information, Zone benefits of each such activity, economic impact of activity on community and affected domestic industries, how proposed activity is consistent with U.S. trade and tariff policy, overall effect on import levels of relevant products, extent of value-added in Zone by activity on imports, and a statement that use of Zone procedures will not likely diminish effectiveness of U.S. international trade programs.

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SPONSORSHIP & QUALIFICATION STATEMENT

11. An Environmental Assessment, detailing any impact envisioned from designation of the area for Zone activity and whether the proposed Site is subject to any special environmental laws, regulations, designations or other concerns.

Communities seeking Multi-User Zone Sites additionally shall provide the following information to the Grantee:

1. Statement of Economic Goals of community and strategies in relation to those of State of California, Los Angeles Basin and the region in which community is located.
2. Reference to Plans on which goals are based and how they relate to Zone project.
3. Economic Profile of Community, including discussion of dominant sectors in terms of percentage of employment or income, area resources or problems, economic imbalances, unemployment rates, area foreign trade statistics, and area Port facilities and transportation networks.
4. Statement as to Role and Objective of Zone Project, and a justification for each proposed Site.
5. Letters of Intent to use Zone services.
6. Endorsement Letters from community leaders.
7. Surveys of International Activity in the community and region.

Companies seeking Single-User Zone Sites or Subzones additionally shall provide the following information to the Grantee:

1. Company Profile identifying headquarters and plant locations, rankings (such as Fortune 500 and Forbes), subsidiaries and affiliates, products, annual sales, other plants that make similar products (foreign and domestic), types of customers, company's position in domestic and world markets for these products.
2. Industry Profile containing data on industry background and international competition, industry sales volume (last two years), market characteristics and trends, types of suppliers and customers, imports as a percent of U.S. market, major competitors (domestic and foreign), competitive advantages enjoyed by overseas firms, primary competitive factor(s) (price, quality, delivery time, brand), any unusual characteristics of the industry, trade issues (if any) involving finished product or components (such as AD, CV orders, quotas, special exemptions from GATT, escape clause), company's overall international competitive status (i.e., market share) and objectives.

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SPONSORSHIP & QUALIFICATION STATEMENT (contd.)

3. Description of Product and Proposed Activity including product descriptions, material/components used, sources of supply for materials and components used, nature and scope of operation and production, production processes, sourcing plans, list of imported components and percent of finished product material value, tariff rates and other import requirements or restrictions, effect of any inverted tariffs on volume of imports and duties thereon.

4. A detailed statement of benefits to user including cash flow/duty deferral analysis, quota and excise tax benefits, scrap or waste factors, exports and drawback, incidental benefits i.e. quality control, security, inventory control, insurance savings, temporary removal procedures, inverted tariff duty savings, estimated annual dollar savings from Zone procedures, discussion of how exports will be encouraged, benefit of keeping operations in U.S. and alternatives, increased level of competition with imports in domestic market and how Zone procedures directly affect such increases, purchasing pattern changes related to imports of either components or end products, compliance with antidumping and countervail laws, and other alternatives considered to obtain benefits sought and statement as to why not feasible, and a statement that there will not be a net increase in imports on which tariffs would be reduced under proposed Zone procedures.

5. Use of public zone statement (to be submitted by Subzone Applicants only) explaining why the operation cannot be accommodated with in the existing Zone Sites.

PROCEDURE FOR APPROVAL

Upon submission of the Sponsorship and Qualification Statement to the Grantee, the Grantee shall review the information. If additional information is required for the Grantee to make a determination, it shall be requested in writing of the Applicant. Otherwise, the request will be approved or rejected.

If rejected, the Applicant may seek to further present its case to the Grantee at a meeting to be set at the earliest convenient time for both parties; however, the determination of the Grantee following such a meeting, if requested by the Applicant, is final and is the discretionary determination of the Grantee based on the authority delegated to it by the Foreign-Trade Zones Board.

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If accepted, the Applicant will be requested to submit to the Grantee:

1. A Signed Operating Agreement in the form prescribed by the Grantee.
2. A draft application to the Foreign-Trade Zones Board in the form prescribed by the Grantee requesting Zone expansion, Zone boundary modification, Subzone designation, or manufacturing authority, if required, accompanied by the Application Fee as prescribed in this Tariff.
3. An activation request in the form prescribed by the Grantee, if required at this time, accompanied by the Activation Fee as prescribed in this Tariff.

The Grantee will work with the Applicant in obtaining all approvals necessary to commence Zone operations, specifically including interface with the Foreign-Trade Zones Board, U.S. Customs Service, State of California, and the City and County of Los Angeles.

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